

Unit- I

Chapter 3 - A: Principles of Organisations

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Objectives

The objectives of this chapter are to make the students aware of:

- The meaning of an Organisation
- Types of Organisation - Formal and Informal Organisations
- Principles of Organisations

Introduction

Organisations are an integral and important part of human life. It is the steel frame that enables us to utilise the three resources –men, money and material - in a judicious manner to achieve the desired goals. An organisation is a structural framework that enables people to work towards achieving common goals. Organisations not only help in achieving common goals but also help in attaining personal goals of those working in it. Andrew Carnegie, an American industrialist had said, “Take away our factories, take away our trade, our avenues of transformation, our money. Leave us nothing but our organisation, and in four years we shall have re-established ourselves.” This statement leaves no doubt that organisations are the most important creation of human beings.

Meaning

An organisation is a group of people who come together to achieve some common goals. It includes the structural framework on which the people or the functionaries are placed to perform their specific work. The whole system works in a predetermined process with interrelated parts performing diverse activities to achieve the goals. Organisations define the ‘work’ to be done; the ‘process’ through which it is to be done; and by ‘whom’ it is to be done. It also includes inter-relating, grouping and regrouping, defining the authority and responsibilities of the people manning various positions while being a part of the bigger whole in achieving the goals.

Definition

An organisation, being an important and integral part of the modern human endeavour to achieve its goals, is defined by scholars in the following manner:

1. **Compact Oxford English Dictionary:** Organisation means a group of people framing a structure to achieve common objectives. It includes:
 - (i) the action of organising;
 - (ii) a systematic arrangement or approach; and
 - (iii) an organised body of particular people with a particular purpose.
2. **Chester I Barnard:** “An organisation is a system of consciously coordinated activities or forces of two or more persons”.
3. **Dimock and Dimock:** “Organisation is the systematic bringing together of interdependent parts to form a unified whole through which authority, coordination and control may be exercised to achieve a given purpose”.
4. **Amitai Etzioni:** “Without well-run organisations, our standard of living, our level of culture and our democratic life could not be maintained. We are born in organisations, educated in organisations, and most of us spend much of our time working for organisations”.

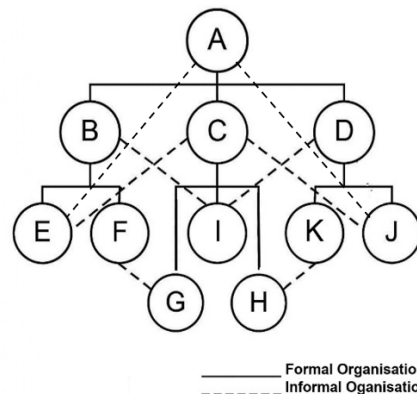
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Scholars view organisations from different perspectives some emphasise the structural aspects and while others on the human aspect.

Types of Organisation

There are two types of organisations, Formal and Informal Organisations. Formal organisations are deliberately created to achieve some common goals whereas informal organisations are the naturally occurring relations between the members working in formal organisations.

Formal and Informal Organisation



Formal Organisation

Formal organisations are deliberately planned and created to achieve some common goals of the people who form them. The structure of such organisations can be shown on organisational charts by depicting various positions in a hierarchical setup. Formal organisations have a rational division of work and the functionaries have the authority to carry out that work. They work as per the rules and regulations to enable smooth functioning for the achievement of the goals of an organisation.

Chester Barnard says that formal organisations are a system of consciously coordinated activities or forces of two or more persons to achieve common goals.

Informal Organisations

Informal organisations refer to the informal relationships between people working in formal organisations. The relationships are dependent on their likes and dislikes, as well as emotional needs and attitudes. The informal organisation develops spontaneously between members working in formal organisations. They may be small or large based on common needs, aspirations or values. A functionary can be a member of several informal groups. Informal organisations, though providing support to a formal organisation, can also create bottlenecks in their functioning.

According to *Chester Barnard*, informal organisations are an aggregate of personal linkages and interactions followed by an associated grouping of people. Formal organisations emphasise structure, while informal organisations emphasise personal relations and human emotions.

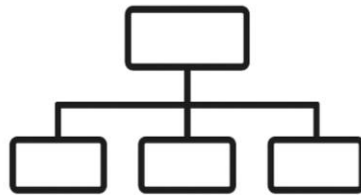
Principles of Organisation

Introduction

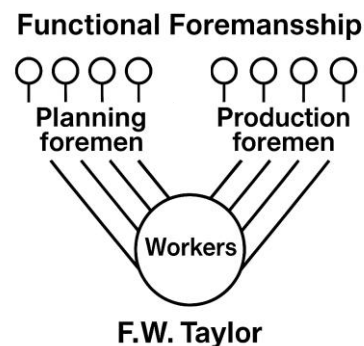
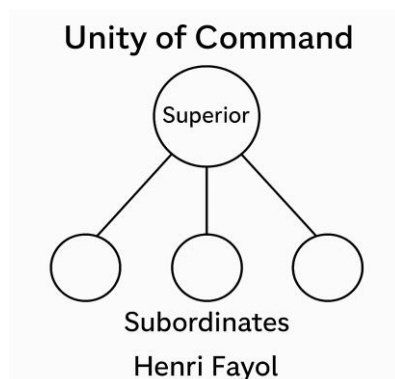
A principle is defined as a fundamental statement or general truth that provides a guide to thought and action. Social scientists in the field of Public Administration have developed certain principles which govern both Public and Private Administration. Some principles help the administrators to get the work done by guiding and controlling the work of their subordinates, while others help in improving the functioning of the organisations and thereby bringing efficiency. The principles of organisations have been given by social scientists like *Henri Fayol*, *Mooney* and *Reiley* etc. Following are the principles of organisations:

1. **Authority and responsibility:** Authority flows from responsibility, the managers who exercise authority over others should also be responsible for their decisions and the results thereof. Henri Fayol says authority is the right to give orders and exact obedience. It is official as well as personal. The official authority is positional i.e. derived from a manager's position in the hierarchy of the organisation. Personal authority of a manager is based on his personal qualifications like intelligence, experience, integrity, past decisions and role. Fayol further says that responsibility is a corollary of authority so wherever authority exists, an equal amount/measure of responsibility exists.
2. **Division of Work:** According to Henri Fayol, division of work applies to all kinds of work, whether it is manual or managerial or technical. Fayol says division of work leads to specialisation as the worker is always doing the same work, and he slowly becomes an expert in that work. Whenever organisations are conceptualised, the work of the organisation is divided into different units. These units are based on logical and rational division of work and identification of the functions to be performed by a person holding that position (Job description). After the division of work the qualification required in a person to perform the stated functions is also determined (Job specification).

DIVISION OF WORK

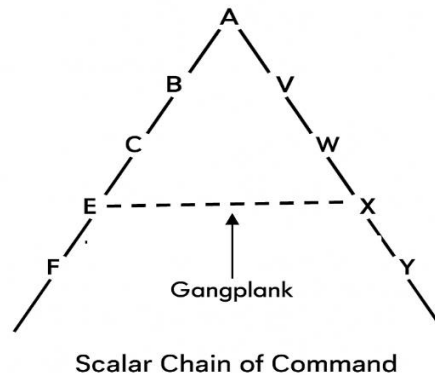


3. **Unity of Command:** According to the principle of Unity of Command, one employee should have only one boss, and he should receive orders from him only. It helps in avoiding conflicts within the organisations, as a person receiving orders from two bosses will not know whom to follow, and he may play the two bosses against each other. Henri Fayol's Principle of Unity of Command runs counter to the principle of Functional Foremanship propounded by F.W. Taylor, wherein a worker receives orders from 8 functional foremen – four in planning and four in the production area.



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4. **Unity of Direction:** According to this principle, there should be 'One Head and One Plan' to direct all the activities – managerial and operational – in a particular department of the organisation in sync with the overall objectives. For example, all the production activities under one manager and all marketing activities like pricing, advertising, marketing and research should be under the control of one manager and be directed by an integrated plan.
5. **Scalar Chain of Command:** According to Henri Fayol there is a chain of command from the top to the bottom of the organisation and no one is outside this chain of command. So all the functionaries of an organisation are in a chain of superior-subordinate relationships from the top to the bottom of the organisation. According to this principle, a request from a person 'E' to 'X' should go through C, B, A, V and W as in the figure given below. He also says that this link should not be broken, but a gangplank can be opened wherein 'E' gets the information directly from 'X' rather than following the scalar chain. Gangplank helps in getting the information quickly for making timely decisions. The gangplank should be thrown open only with the information and consent of the superiors.



6. **Subordination of Individual Interest to General Interest:** According to this principle the interests of the organisation are above the interest of an individual or a group. It means that whenever there is a conflict of interest then the individual interest will have to be sacrificed for the benefit of the organisation.
7. **Remuneration:** Employees of an organisation get their remuneration according to qualifications, working conditions, level of responsibility and difficulty of the job. The cost of living and state of the business may also be taken into consideration.
8. **Equity:** According to this principle all the employees of an organisation should be treated with justice and kindness, as it also helps in ensuring their loyalty and devotion to the organisation to a great extent. The superior must instil a sense of equity at all levels of the organisation.
9. **Order:** Order, according to Fayol, means the right person on the right job and everything in the proper place. It depends on the precise knowledge of the human requirements and resources of the organisation.
10. **Centralisation:** Fayol says that centralization is of the natural order. In small organisations with a limited number of employees the manager can give orders directly to everyone but in bigger organisations it is not possible and a certain measure of decentralisation is required. He states that the amount of centralisation and decentralisation is a question of proportion.
11. **Stability of Tenure:** This principle advocates that a reasonable amount of time should be given to the employees to enable them to settle down in their jobs and adapt to the requirements of the work.
12. **Initiative:** As per this principle the subordinates should be provided with an opportunity to show their initiative to increase their skills and sense of participation.

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13. **Esprit de Corps:** This principle emphasises the need for teamwork and maintenance of good interpersonal relationships based on harmony and unity. Esprit de Corps helps in bringing coordination within the organisation, which further helps in achieving the goals of an organisation.
14. **Discipline:** Members of an organisation are required to perform their functions and conduct themselves in relation to others as per the rules and regulations, norms and customs formulated by the organisation. Discipline is required in an organisation to achieve its goals, rather than the whims and fancies of an individual.

Conclusions

The Principles of Organisations help organisations to achieve their objectives effectively.

Important Terms/Concepts/Information

1. **Definition of Organisation:** Chester I Barnard: An organisation is a system of consciously coordinated activities or forces of two or more persons.
2. **Formal Organisation:** Formal organisations are deliberately planned and created to achieve some common goals of the people who form them. The structure of such organisations can be shown on organisational charts by depicting various positions in a hierarchical setup. Formal organisations have a rational division of work, and the functionaries have the authority to carry out that work. They work as per the rules and regulations to enable smooth functioning for the achievement of the goals of an organisation.
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Short and Long Questions

Short Answer Type Questions

1. Give one definition of Organisation.
2. Name two types of Organisations.
3. Write a note on three principles of Organisations.
4. Write a note on Formal Organisations.

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5. Write a note on Informal Organisations.
Long Question
6. Discuss the Principles of Organisations in detail.

Suggested Readings

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10. Relevant reading material from egyankosh - <http://egyankosh.ac.in/>
11. Relevant reading material from e PG Pathshala - <https://epgp.inflibnet.ac.in/>